

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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USIA-15 EB-11 COME-00 OMB-01 TRSE-00 SCI-06 SCEM-02

AGR-20 INT-08 AID-20 CIEP-02 LAB-06 SIL-01 STR-08

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FM AMEMBASSY CARACAS

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C O N F I D E N T I A L CARACAS 10780

E.O. 11652: GDS

TAGS: ETRD, ENRG, VE, US

SUBJECT: VENEZUELAN CONCERN ABOUT SHORT SUPPLY OF RAW MATERIALS

REF: CARACAS 10741, CARACAS 10600

SUMMARY. POST-ELECTION COMMENTS BY PRESIDENT-ELECT CARLOS ANDRES PEREZ TO EFFECT THAT VENEZUELA'S PETROLEUM SHOULD BE CONSIDERED LEVER TO OBTAIN RAW MATERIALS NEEDED BY OTHER SECTORS OF ECONOMY, REPEAT VIEWS EXPRESSED BY GOVERNMENT AND BUSINESS LEADERS EVER SINCE COMMODITY SHORTAGES FIRST BEGAN TO APPEAR. SIGNIFICANCE OF STATEMENT BY PRESIDENT-ELECT IS THAT THIS POLICY IS GAINING IMPRIMATUR OF THE COUNTRY'S FUTURE LEADERS. END SUMMARY.

1. ALTHOUGH POLICY HAS BEEN ARTICULATED IN ONLY VAGUE TERMS, IT IS ASSUMED THAT IT WOULD BE DIRECTED TO OBTAINING MATERIALS IN SHORT SUPPLY THROUGH GOVERNMENT-TO-GOVERNMENT BARTER ARRANGEMENT, OR BETWEEN VENEZUELAN GOVERNMENT AND INTERNATIONAL OIL COMPANIES OPERATING HERE. ANOTHER VARIANT MIGHT BE TO PUT BURDEN OF SUPPLY ON PRIMARY PETROLEUM CUSTOMER NATIONS OR OIL COMPANIES AS INTERMEDIARIES, AND ISSUE THEM PERIODIC SHOPPING LISTS.

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2. NO ADMINISTRATIVE CLEARING HOUSE FOR COORDINATION OF PRIORITIES AND QUANTITIES ON NEEDED COMMODITIES NOW EXISTS IN VENEZUELA

BUT ONE COULD BE QUICKLY MOBILIZED. DIFFICULTY FOR GOVERNMENTS RECEIVING DEMANDS WOULD BE MUCH GREATER, INVOLVING TASK OF ALLOCATION BETWEEN THEIR DOMESTIC NEEDS AND VENEZUELAN DEMANDS.

3. EMBASSY HAS IDENTIFIED NUMBER OF RAW MATERIALS IN SHORT SUPPLY AT PRESENT TIME. AMONG TRADITIONAL AGRICULTURAL IMPORTS FROM THE U.S. ONLY COTTON AND BLACK BEANS MAY BE DIFFICULT TO PROVIDE THIS YEAR: WHEAT AND SOYBEAN SUPPLIES ARE NOW ADEQUATE. PULP AND NEWSPRINT CONTINUE IN VERY TIGHT SUPPLY ALTHOUGH SITUATION HAS IMPROVED SOMEWHAT SINCE SUMMER. BROAD RANGE OF CHEMICALS, PETROCHEMICALS, AND SYNTHETIC FIBERS ARE IN SHORT SUPPLY AND RAISE PARTICULARLY SENSITIVE QUESTION, SINCE RAW MATERIAL FOR LATTER TWO, PETROLEUM, ORIGINATES IN VENEZUELA. VENEZUELA IS DRASTICALLY SHORT IN CAPROLACTAM USED IN MANUFACTURE OF NYLON WITH FACTORY CLOSINGS BEING PREDICTED IN JANUARY 1974 UNLESS SITUATION IMPROVES. OTHER CHEMICAL AND PETROCHEMICAL SUBSTANCES KNOWN TO BE LACKING ARE STYRENE MONOMER, VINYL ACETATE MONOMER, ACETONE, METHANONE, PHENOL, ACRYLO-NITRILE; HIGH AND LOW DENSITY POLYETHYLENE, PVC, ADS; PHOSPHATES; POLYESTER YARNS, ACRYLIC FIBER; LATEX; ETC. FERROUS SCRAP IS ALSO DRASTICALLY SHORT, AND STAINLESS STEEL IS IN SHORT SUPPLY. THESE SHORTAGES EXTEND TO U.S. FIRMS HERE, AS WELL.

4. IT IS RECOGNIZED THAT MOST OF THE COMMODITIES CITED ARE IN SHORT SUPPLY WORLDWIDE. IT IS DOUBTFUL THAT VENEZUELA, WITH ITS POWERFUL LEVER OF PETROLEUM SUPPLY, HOWEVER, WILL MODERATE ITS DEMANDS BECAUSE OF THIS FACT.

5. FERROUS SCRAP IS SPECIAL CASE IN THAT IS IS ONLY COMMODITY OVER WHICH U.S. IS EXERCISING EXPORT CONTROL. U.S. GOVERNMENT ACTION TO AMELIORATE VENEZUELAN SHORTAGE IN THIS COMMODITY WOULD DO MUCH TO PREVENT CONFRONTATIONS ON VENEZUELAN SHORT SUPPLY. MCCLINTOCK

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